

## PRESERVING CRITICAL PROGRAMS

Faced with a \$34.6 billion budget gap, the State has an opportunity to build upon the success of the 1991 State-Local Program Realignment. The 2003-04 Governor's Budget reflects the Administration's commitment to preserving some very critical programs by not reducing their funding levels, either transferring responsibility or changing the State-local cost-sharing ratios for them, and dedicating a revenue stream to support the resulting additional local financial obligations. The costs of the programs proposed to be realigned and the dedicated revenue stream, outlined below, totals approximately \$8.3 billion. Realignment of these programs will result in General Fund savings of \$8.2 billion.

**Mental Health and Substance Abuse**—Consistent with the realignment of community mental health programs in 1991, the Budget proposes to transfer responsibility for the Integrated Services for Homeless Adults and Children's Systems of Care programs from the State to the counties. Additionally, the Budget reflects the shift of alcohol and drug programs to the counties. The transfer of these programs will result in General Fund relief totaling \$306 million.



**Children and Youth**—The Budget proposes to shift responsibility for the child care programs currently administered by the Department of Education to the counties, and transfer 100 percent of the nonfederal share-of-costs to the counties for the Child Welfare Services, Adoptions Assistance, and Foster Care programs. This will result in General Fund relief totaling \$2.307 billion.

**Healthy Communities**—The Budget reflects the transfer of responsibility for certain health and social services programs to the counties as well as a 15 percent and 50 percent share-of-cost for Medi-Cal and CalWORKS-related programs, respectively, resulting in General Fund relief totaling \$2.671 billion.

Specific programs under this proposal include Expanded Access to Primary Care, Grants in Aid for Clinics, Indian Health, Rural Health Services Development, Seasonal Agricultural/Migratory Workers, Black Infant Health, Local Maternal and Child Health, Adolescent Family Life, County Health Managed Care, California Healthcare for Indigents, Rural Health Services, Public Health Subvention, Adult Protective Services, Cash Assistance Program for Immigrants, California Food Assistance, Medi-Cal, and CalWORKS.

**Long-Term Care**—The Budget shifts responsibility for 100 percent of the nonfederal share of In-Home Supportive Services program costs to the counties as well as 100 percent of the nonfederal share of Medi-Cal long-term care costs. This will result in General Fund relief totaling \$2.571 billion.

**Court Security**—The Budget provides an alternative funding source to support the security needs of the local trial courts. This would result in General Fund relief totaling \$300 million.



**Dedicated Revenue Stream for Realignment**—The Budget includes the following revenue increases totaling \$8.334 billion to support the additional financial obligations for counties under realignment, provide an alternative funding source for court security, and backfill lost cigarette tax revenues resulting from the proposed cigarette excise tax increase that otherwise would be available pursuant to the provisions of Proposition 10, Proposition 99, and the Breast Cancer Fund program statute. Proceeds from these revenue increases will be deposited into the newly established Enhanced State and Local Realignment Fund for allocation to counties and relevant State departments and funds.

Increase sales tax rate by one cent	\$4.58 billion
Add 10 percent and 11 percent personal income tax brackets	\$2.58 billion
Increase excise tax by \$1.10 on cigarettes and tobacco products	\$1.17 billion
<b>Total:</b>	<b>\$8.33 billion</b>

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## Principles of State-Local Program Realignment

Consistent with the 1991 State-Local Program Realignment, the program realignment proposed in this Budget adheres to one or more of the following principles:

- ◆ Assignment of program responsibility should be made to the most appropriate level of government—State or local. Under this principle, programs that accrue primarily local benefits and result in cost savings to local governments should be administered locally.



- ◆ Assignment of program responsibility should be made to the governmental entity where the service is currently provided. Transfers of programs currently administered by the counties minimize implementation hurdles because program administration infrastructures already exist locally.
- ◆ Realignment should result in improved service delivery, with broad discretion given to the responsible entity. The entity responsible for defining eligibility and service levels is in the best position to foster innovation.
- ◆ Revising State-local sharing ratios and sharing the financial obligation for program costs should produce fiscal incentives to encourage the most cost-effective approaches for addressing program needs.
- ◆ Identified funding sources should accompany realigned programs to the responsible entity. A dedicated revenue stream provides greater funding stability with no reliance on annual legislative appropriations.



**State-Local Realignment**

(Dollars in Millions)

Department	Program	GF Savings	Cost to Counties
<b>Mental Health and Substance Abuse</b>			
DADP	Local Programs	\$219	\$219
DADP	Drug Courts/State Operations	12	11
DMH	Children's System of Care/State Operations	20	20
DMH	Integrated Services For Homeless/State Operations	55	55
	<b>Mental Health and Substance Abuse Total</b>	<b>\$306</b>	<b>\$305</b>
<b>Children and Youth</b>			
DSS	Child Abuse Prevention, Intervention, and Treatment	\$13	\$13
DSS	Foster Care Grants	460	460
DSS	Foster Care Administration	34	34
DSS	Child Welfare Services	596	596
DSS	Adoption Assistance	217	217
DSS	Kin-GAP	19	19
SDE	Child Care	968	1,031
	<b>Children and Youth Total</b>	<b>\$2,307</b>	<b>\$2,370</b>
<b>Healthy Communities</b>			
DHS	15 Percent County Share of Medi-Cal Benefits Costs	\$1,620	\$1,620
DHS	Adolescent Family Life Program	14	14
DHS	Black Infant Health Program	4	4
DHS	Local Health Department Maternal and Child Health (MCH) Program	3	3
DHS	Expanded Access to Primary Care (EAPC)	24	24
DHS	Indian Health Program (IHP)	7	7
DHS	Rural Health Services Development Program (RHSD) and Grants in Aid (GIA) for Clinics Program	9	9
DHS	Seasonal Agricultural and Migratory Workers (SAMW) Program	7	7
DHS	Managed Care Counties		(0.9)
DHS	California Health Care for Indigents (CHIP)		(46.2)
DHS	Rural Health Services		(4.4)
DHS	County Health Services Public Health Subvention	1	1
DHS	Reductions to Rural Health Care and MCH State Operations	2	
DSS	Cash Assistance Program for Immigrants	95	95
DSS	Adult Protective Services	61	61
DSS	California Food Assistance Program	15	15
DSS	Food Stamp Administration	268	268
DSS	CalWORKs Administration	120	120
DSS	CalWORKs Employment Services	423	423
	Cost of Prop 99-funded Programs		58
	<b>Healthy Communities Total</b>	<b>\$2,671</b>	<b>\$2,727</b>
<b>Long-Term Care</b>			
DHS	Realign Medi-Cal Long-Term Care	\$1,400	\$1,400
DSS	In-Home Supportive Services	1,086	1,086
DSS	In-Home Supportive Services Administration	85	85
	<b>Long-Term Care Total</b>	<b>\$2,571</b>	<b>\$2,571</b>
<b>Court Security</b>			
Trial Courts	Court Security	<u>\$300</u>	<u>\$300</u>
	<b>Total Realignment</b>	<b>\$8,154</b>	<b>\$8,273</b>



